

**STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE
45 Fremont Street, 21st Floor
San Francisco, California 94105**

RH05044479

June 23, 2005

**INITIAL STATEMENT OF REASONS
Proposed Amendments to Rule 122**

PURPOSE OF THE REGULATION

Pursuant to California Insurance Code Section 11624 California Insurance Commissioner John Garamendi will hold a public hearing regarding the recommendation of the California Automobile Assigned Risk Plan ("CAARP") to amend Rule 122 of the CAARP Simplified Manual of Rules and Rates.

NECESSITY OF REGULATION

The proposed revision to Rule 122 will require acceptance of primary coverage from a non-admitted insurer that is approved by the California Department of Insurance under California Insurance Code section 1765.1(f).

Messenger and courier operations in California must maintain automobile liability insurance. Current CAARP rules provide that if a messenger or courier driver possesses specified automobile liability coverage from an admitted insurer, the messenger or courier company may purchase excess coverage at an excess coverage rate. Only one California admitted insurer had been providing the coverage the drivers needed that allowed the messenger/courier companies to obtain the excess coverage at the specified rate from the Commercial Automobile Insurance Procedure ("CAIP") in CAARP. However that insurer is no longer providing coverage to the drivers. If Rule 122 is not amended, allowing drivers to purchase primary insurance from surplus line insurers that have qualified for the Commissioner's eligible surplus lines insurer list, messenger/courier companies will be required to purchase primary insurance at primary insurance rates. The excess premium rates will increase 91%.

IDENTIFICATION OF STUDIES

The proposed changes rely upon the recommendation of CAARP's Advisory Committee. Other than the explanatory memorandum no studies have been submitted for this proceeding.

SPECIFIC ACTIONS, PROCEDURES, TECHNOLOGIES OR EQUIPMENT

Adoption of the proposed changes would not mandate the use of specific technologies or equipment.

REASONABLE ALTERNATIVES

The Commissioner invites public comments on the proposed changes and reasonable alternatives which would be as effective to carry out the proposed changes.

ECONOMIC IMPACT ON BUSINESS

The Commissioner has initially determined that the proposed changes will not have a significant adverse economic impact on businesses. The Commissioner invites interested parties to comment on whether the proposed changes will have a significant adverse economic impact on business.